

**CHARTER OAK-UTE
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September, 2007 Election)		
Betty Lou Olson	President	2007
Joanne Seufert	Vice President	2008
Dean Staley		2007
Bill Magill		2007
Valeta Pautsch		2009

(After September, 2007 Election)		
Betty Lou Olson	President	2010
Joanne Seufert	Vice President	2008
Dean Staley		2010
Bill Magill		2009
Valeta Pautsch		2009

School Officials

Rollie Wiebers	Superintendent
Cathy Carstens	District Secretary /Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Charter Oak-Ute Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Charter Oak-Ute Community School District, Charter Oak, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

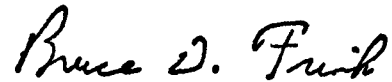
We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of Charter Oak-Ute Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2009 on our consideration of Charter Oak-Ute Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 30 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charter Oak-Ute Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

February 4, 2009

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Charter Oak-Ute Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund Revenues decreased from \$3,100,172 in fiscal 2007 to \$3,085,260 in fiscal 2008, (less than one percent decrease) while General Fund expenditures increased from \$3,048,453 in fiscal 2007 to \$3,159,642 in fiscal 2008 (a four percent increase).
- Revenues were virtually unchanged in all areas. The increase in expenses was mainly attributed to increased maintenance and transportation costs. The general fund balance decreased by over \$74,000.
- The Charter Oak-Ute Community School District collects School Infrastructure Local Option Sales Tax from Crawford and Monona Counties during the year. The amount received increased slightly in fiscal 2008. These funds are being used to finance improvements in the District's infrastructure including an addition to the Charter Oak building.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Charter Oak-Ute Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Charter Oak-Ute Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the Activity Fund and a multiyear comparison of revenues and expenses.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Charter Oak-Ute Community School District Annual Financial Report

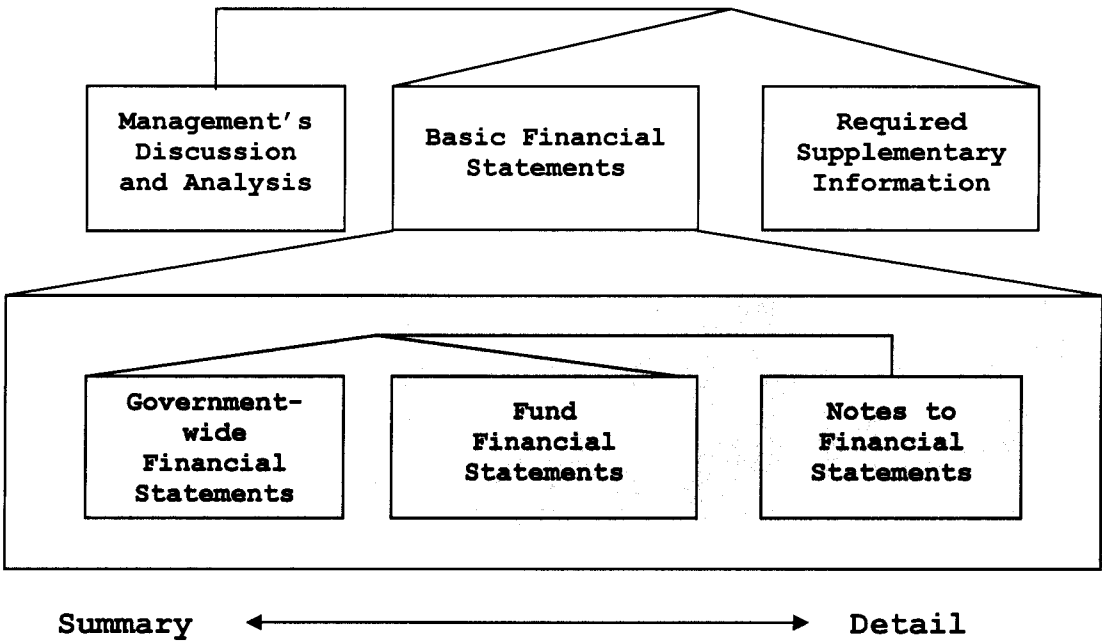


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> . Statement of net assets . Statement of activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> . Statement of net assets . Statement of revenues, expenses and changes in fund net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and Statement of Cash.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 2,348	2,319	3	1	2,351	2,320	1.34%
Capital assets	<u>1,711</u>	<u>1,031</u>	<u>2</u>	<u>-</u>	<u>1,713</u>	<u>1,031</u>	<u>66.15%</u>
Total assets	<u>4,059</u>	<u>3,350</u>	<u>5</u>	<u>1</u>	<u>4,064</u>	<u>3,351</u>	<u>21.28%</u>
Current liabilities	1,249	1,161	5	9	1,254	1,170	7.18%
Long-term liabilities	<u>447</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>447</u>	<u>7</u>	<u>0.00%</u>
Total liabilities	<u>1,696</u>	<u>1,168</u>	<u>5</u>	<u>9</u>	<u>1,701</u>	<u>1,177</u>	<u>44.52%</u>
Net Assets							
Invested in capital assets, net of related debt	1,266	1,031	2	-	1,268	1,031	22.99%
Restricted	400	400	-	-	400	400	0.00%
Unrestricted	<u>697</u>	<u>751</u>	<u>(2)</u>	<u>(8)</u>	<u>695</u>	<u>743</u>	<u>-6.46%</u>
Total net assets	<u>\$ 2,363</u>	<u>2,182</u>	<u>-</u>	<u>(8)</u>	<u>2,363</u>	<u>2,174</u>	<u>8.69%</u>

The District's combined net assets increased by over 8%, or approximately \$189,000 over the prior year. The largest portions of the District's net assets are invested in capital assets and cash.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased approximately \$48,000 or 6%. This decrease was due primarily to minimal revenue growth.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2008	2007	2008	2007	2008	2007	2007-08	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 141	130	76	73	217	203	6.90%
Operating grants, contributions and restricted interest	618	683	78	70	696	753	-7.57%
General revenues:							
Property tax	1,150	1,123	-	-	1,150	1,123	2.40%
Income surtax	178	139	-	-	178	139	28.06%
Local option sales tax	194	185	-	-	194	185	4.86%
Unrestricted state grants	1,254	1,229	-	-	1,254	1,229	2.03%
Unrestricted investment earnings	23	28	-	-	23	28	-17.86%
Other	53	58	-	-	53	58	-8.62%
Total revenues	3,611	3,575	154	143	3,765	3,718	1.26%
Program expenses:							
Governmental activities:							
Instruction	2,221	2,224	-	-	2,221	2,224	-0.13%
Support Services	1,055	999	-	-	1,055	999	5.61%
Non-instructional programs	3	2	147	141	150	143	4.90%
Other expenses	151	134	-	-	151	134	12.69%
Total expenses	3,430	3,359	147	141	3,577	3,500	2.20%
Change in net assets	\$ 181	216	7	2	188	218	-13.76%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 92% of the total expenses. This percentage is above the state average and shows the District's commitment to channeling funds directly to student needs as much as possible.

Governmental Activities

Revenues for governmental activities were \$3,611,444 and expenses were \$3,430,654.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 2,221	2,224	-0.13%	1,594	1,542	3.37%
Support Services	1,055	999	5.61%	1,037	984	5.39%
Non-instructional programs	3	2	50.00%	3	2	50.00%
Other expenses	151	134	12.69%	37	19	94.74%
Totals	<u>\$ 3,430</u>	<u>3,359</u>	<u>2.11%</u>	<u>2,671</u>	<u>2,547</u>	<u>4.87%</u>

- The cost financed by users of the District's programs was \$141,325 (a 9% increase).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$368,247 (a 16% decrease).
- The net cost of governmental activities was financed with \$1,149,429 in property and other taxes and \$1,254,393 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$154,762 and expenses were \$147,527. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2008, the District increased meal prices slightly. Expenses held steady as a result of cost containment measures. The fund balance increased by over \$7,000.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Charter Oak-Ute Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights

- The district's General Fund financial position decreased due to minimal revenue growth. The district carefully monitors discretionary spending to avoid decreases in fund balances. The preservation of the General Fund balance is especially important in light of the fact that the district is now on the 101% Budget Guarantee and future funding will depend more heavily on student enrollment.
- The Charter Oak-Ute Community School District's Activity Fund increased in fiscal year 2008 by approximately \$4,000. Almost every activity generated more funds than it spent in the past year.
- The District put an addition on to the high school at a cost of approximately \$700,000. Existing funds as well as a \$500,000 revenue bond issue financed the project. No property taxes were used in construction nor will be used to repay the debt.

Proprietary Fund Highlights

The School Nutrition Fund cash balance increased approximately \$7,000 due to cost containment measures (primarily in payroll) as well as an increase in revenues.

BUDGETARY HIGHLIGHTS

The District's receipts were \$75,000 more than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving more in federal aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Expenditures exceeded the budgeted amount in the support services function but did not exceed anticipated expenditures as a whole.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$1,711,030, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 66% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$113,425.

The original cost of the District's capital assets was \$4,155,210. Governmental funds account for \$4,148,121, with the remainder of \$7,089 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category. The District is using its Local Option Sales Tax Funds to do a variety of infrastructure projects throughout the District. The District spent over \$700,000 in improvements and additions to District facilities.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 1	1	-	-	1	1	0.00%
Land improvements	356	282	-	-	356	282	26.24%
Buildings	1,261	589	-	-	1,261	589	114.09%
Furniture and equipment	93	159	2	-	95	159	-40.25%
Totals	<u>\$ 1,711</u>	<u>1,031</u>	<u>2</u>	<u>-</u>	<u>1,713</u>	<u>1,031</u>	<u>66.15%</u>

Long-Term Debt

The District has early retirements included in its long-term debt. Early retirements will be paid from the Management Fund as they come due. The District has discontinued its Early Retirement plan.

In fiscal year 2008, the District sold \$500,000 of revenue bonds to be used for an addition to the Charter Oak building. \$55,000 was retired during the current fiscal year. The final payment will be made in fiscal year 2014.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Declines in enrollment in future years will have serious consequences as less state aid will be received and bigger burden put on tax money.
- The increased costs in open enrollment out tuition will be there for years to come.
- Increased costs in salary expenditures and lost revenue from enrollment declines, could also force the district to consider doing away with the practice of maintaining small class section sizes at the elementary and Junior High grade levels.
- The District also relies on special state and federal funding sources to fund teacher salaries and cuts in these funding sources would have serious negative consequences for the district.
- The District constructed a new addition to the Charter Oak building which will expand space available for existing programs.
- The District continues to upgrade its facilities and equipment in order to provide the best learning environment possible to its students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rollie Wiebers, Superintendent, Charter Oak-Ute Community School District, 321 Main Street, Charter Oak, IA 51439.

Basic Financial Statements

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash	\$ 862,065	-	862,065
Receivables:			
Property tax:			
Current year	18,356	-	18,356
Succeeding year	1,234,763	-	1,234,763
Income surtax - succeeding year	134,153	-	134,153
Due from other governments	13,411	-	13,411
Other receivables	38,944	1,408	40,352
Interfund receivable	5,473	-	5,473
Inventories	40,941	1,329	42,270
Capital assets, net of accumulated depreciation	1,711,030	2,049	1,713,079
Total assets	<u>4,059,136</u>	<u>4,786</u>	<u>4,063,922</u>
Liabilities			
Accounts payable	3,831	-	3,831
Interfund payable	-	5,473	5,473
Accrued interest payable	9,948	-	9,948
Deferred revenue:			
Succeeding year property tax	1,234,763	-	1,234,763
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	2,328	-	2,328
Revenue bonds	130,000	-	130,000
Portion due after one year:			
Revenue bonds	315,000	-	315,000
Total liabilities	<u>1,695,870</u>	<u>5,473</u>	<u>1,701,343</u>
Net assets			
Invested in capital assets, net of related debt	1,266,030	2,049	1,268,079
Restricted for:			
Management	51,949	-	51,949
Physical Plant and Equipment Levy	65,443	-	65,443
Capital Projects	283,354	-	283,354
Unrestricted	696,490	(2,736)	693,754
Total net assets	<u>\$ 2,363,266</u>	<u>(687)</u>	<u>2,362,579</u>

See notes to financial statements.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues				Business type Activities	Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities		
Functions/Programs						
Governmental activities:						
Instruction:	\$ 2,221,278	141,325	485,844	(1,594,109)	-	(1,594,109)
Support services:						
Student services	44,659	-	-	(44,659)	-	(44,659)
Instructional staff services	77,754	-	-	(77,754)	-	(77,754)
Administration services	398,239	-	-	(398,239)	-	(398,239)
Operation and maintenance of plant services	315,240	-	18,249	(296,991)	-	(296,991)
Transportation services	219,095	-	-	(219,095)	-	(219,095)
	1,054,987	-	18,249	(1,036,738)	-	(1,036,738)
Non-instructional programs:						
Food service operations	3,397	-	-	(3,397)	-	(3,397)
Other expenditures:						
Interest on debt service	19,319	-	-	(19,319)	-	(19,319)
AEA flowthrough	114,358	-	114,358	-	-	-
Depreciation (unallocated)*	17,315	-	-	(17,315)	-	(17,315)
	150,992	-	114,358	(36,634)	-	(36,634)
Total governmental activities	3,430,654	141,325	618,451	(2,670,878)	-	(2,670,878)

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues			Governmental Activities	Business type Activities	Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest			
Business type activities:						
Non-instructional programs:						
Nutrition services	147,527	76,316	78,446	-	7,235	7,235
Total	<u>\$ 3,578,181</u>	<u>217,641</u>	<u>696,897</u>	<u>(2,670,878)</u>	<u>7,235</u>	<u>(2,663,643)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,023,417	-	1,023,417
Management fund				79,962	-	79,962
Capital outlay				46,050	-	46,050
Income surtax levied for:						
Instructional support				118,080	-	118,080
Capital outlay				59,040	-	59,040
Sales tax collected for:						
Capital outlay				194,272	-	194,272
Unrestricted state grants				1,254,393	-	1,254,393
Unrestricted investment earnings				23,085	-	23,085
Other				53,369	-	53,369
Total general revenues				<u>2,851,668</u>	<u>-</u>	<u>2,851,668</u>
Change in net assets				180,790	7,235	188,025
Net assets beginning of year				<u>2,182,476</u>	<u>(7,922)</u>	<u>2,174,554</u>
Net assets end of year				<u>\$ 2,363,266</u>	<u>(687)</u>	<u>2,362,579</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General	Capital Projects	Physical Plant and Equipment Levy	Management Levy	Student Activity	Total
Assets						
Cash	\$ 434,930	269,943	64,708	50,672	41,812	862,065
Receivables:						
Property tax:						
Current year	16,344	-	735	1,277	-	18,356
Succeeding year	1,100,357	-	54,406	80,000	-	1,234,763
Income surtax - succeeding year	89,435	-	44,718	-	-	134,153
Due from other governments	-	13,411	-	-	-	13,411
Other receivables	38,944	-	-	-	-	38,944
Interfund receivable	5,473	-	-	-	-	5,473
Inventory	40,941	-	-	-	-	40,941
Total assets	<u>\$ 1,726,424</u>	<u>283,354</u>	<u>164,567</u>	<u>131,949</u>	<u>41,812</u>	<u>2,348,106</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 3,831	-	-	-	-	3,831
Deferred revenue:						
Succeeding year property tax	1,100,357	-	54,406	80,000	-	1,234,763
Succeeding year income surtax	89,435	-	44,718	-	-	134,153
Total liabilities	<u>1,193,623</u>	<u>-</u>	<u>99,124</u>	<u>80,000</u>	<u>-</u>	<u>1,372,747</u>
Fund balances:						
Unreserved	532,801	283,354	65,443	51,949	41,812	975,359
Total fund balance	<u>532,801</u>	<u>283,354</u>	<u>65,443</u>	<u>51,949</u>	<u>41,812</u>	<u>975,359</u>
Total liabilities and fund balances	<u>\$ 1,726,424</u>	<u>283,354</u>	<u>164,567</u>	<u>131,949</u>	<u>41,812</u>	<u>2,348,106</u>

See notes to financial statements.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2008

Total fund balances of governmental funds (Exhibit C)		\$	975,359
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			1,711,030
Income surtax receivable at June 30, 2008 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.			134,153
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds			(9,948)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds			
Early retirement	\$	(2,328)	
Revenue bonds		<u>(445,000)</u>	<u>(447,328)</u>
Net assets of governmental activities (Exhibit A)			<u><u>\$ 2,363,266</u></u>

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2008

	General	Capital Projects	Physical Plant and Equipment Levy	Debt Service	Management Levy	Student Activity	Total
Revenues:							
Local sources							
Local tax	\$ 1,127,872	194,272	98,277	-	79,963	-	1,500,384
Tuition	141,325	-	-	-	-	-	141,325
Other	79,171	10,450	6,907	-	786	114,985	212,299
State sources	1,607,838	-	39	-	67	-	1,607,944
Federal sources	129,054	-	-	-	-	-	129,054
Total revenues	3,085,260	204,722	105,223	-	80,816	114,985	3,591,006
Expenditures:							
Instruction	2,096,203	-	-	-	19,090	110,653	2,225,946
Support services							
Student services	44,659	-	-	-	-	-	44,659
Instructional staff services	77,754	-	-	-	-	-	77,754
Administration services	364,066	-	28,986	-	5,187	-	398,239
Operation and maintenance of planet services	295,917	-	3,056	-	25,499	-	324,472
Transportation services	164,552	-	-	-	4,095	-	168,647
	946,948	-	32,042	-	34,781	-	1,013,771
Noninstructional programs:							
Food service operations	2,133	-	-	-	1,264	-	3,397

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2008

	General	Capital Projects	Physical Plant and Equipment Levy	Debt Service	Management Levy	Student Activity	Total
Other expenditures							
Facilities acquisition and construction services	-	630,793	107,605	-	-	-	738,398
Debt service:							
Principal	-	-	-	55,000	-	-	55,000
Interest	-	-	-	9,371	-	-	9,371
AEA flowthrough	114,358	-	-	-	-	-	114,358
	<u>114,358</u>	<u>630,793</u>	<u>107,605</u>	<u>64,371</u>	<u>-</u>	<u>-</u>	<u>917,127</u>
Total expenditures	<u>3,159,642</u>	<u>630,793</u>	<u>139,647</u>	<u>64,371</u>	<u>55,135</u>	<u>110,653</u>	<u>4,160,241</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(74,382)</u>	<u>(426,071)</u>	<u>(34,424)</u>	<u>(64,371)</u>	<u>25,681</u>	<u>4,332</u>	<u>(569,235)</u>
Other financing sources (uses)							
Proceeds from sale of revenue bonds	-	500,000	-	-	-	-	500,000
Operating transfers in	-	-	-	64,371	-	-	64,371
Operating transfers out	-	(64,371)	-	-	-	-	(64,371)
	<u>-</u>	<u>435,629</u>	<u>-</u>	<u>64,371</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(74,382)</u>	<u>9,558</u>	<u>(34,424)</u>	<u>-</u>	<u>25,681</u>	<u>4,332</u>	<u>(69,235)</u>
Fund balances beginning of year	<u>607,183</u>	<u>273,796</u>	<u>99,867</u>	<u>-</u>	<u>26,268</u>	<u>37,480</u>	<u>1,044,594</u>
Fund balances end of year	<u>\$ 532,801</u>	<u>283,354</u>	<u>65,443</u>	<u>-</u>	<u>51,949</u>	<u>41,812</u>	<u>975,359</u>

See notes to financial statements.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit E) \$ (69,235)

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 20,438

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 793,106	
Depreciation expense	<u>(113,239)</u>	679,867

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (9,948)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issuances exceeded repayments, as follows:

Issued revenue bonds	(500,000)	
Repayments	<u>59,668</u>	<u>(440,332)</u>

Change in net assets of governmental activities (Exhibit B) \$ 180,790

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 76,316
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	46,394
Benefits	6,546
Supplies	94,401
Depreciation	186
Total operating expenses	<u>147,527</u>
Operating (loss)	<u>(71,211)</u>
Non-operating revenues:	
Local sources	26
State sources	1,990
Federal sources	<u>76,430</u>
	<u>78,446</u>
Change in net assets	7,235
Net assets beginning of year	<u>(7,922)</u>
Net assets end of year	<u>\$ (687)</u>

See notes to financial statements.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 74,908
Cash payments to employees for services	(52,940)
Cash payments to suppliers for goods or services	<u>(86,043)</u>
Net cash (used in) operating activities	<u>(64,075)</u>
Cash flows from non-capital financing activities:	
State grants received	1,990
Federal grants received	<u>68,065</u>
Net cash provided by non-capital financing activities	<u>70,055</u>
Cash flows from capital financing activities:	
Fixed asset acquisition	(2,235)
Cash flows from financing activities:	
Interest on investments	<u>26</u>
Net increase in cash and cash equivalents	3,771
Cash and cash equivalents beginning of year	<u>(9,244)</u>
Cash and cash equivalents end of year	<u>\$ (5,473)</u>
Reconciliation of operating (loss) to net cash used in operating activities:	
Operating (loss)	\$ (71,211)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	186
Commodities used	8,365
(Increase) in receivables	(1,408)
(Increase) in inventory	<u>(7)</u>
	<u>\$ (64,075)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$8,365.

See notes to financial statements.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Charter Oak-Ute Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Charter Oak and Ute, Iowa, and agricultural area in Monona and Crawford Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Charter Oak-Ute Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Charter Oak-Ute Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Monona and Crawford County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to show all funds as major funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Physical Plant and Equipment Levy is used to purchase equipment (over \$500 per item) and for major repairs and improvements to buildings and grounds. It is funded primarily through a combination of property tax and income surtax.

The Capital Projects Fund is used to purchase equipment (over \$500 per item) and for major repairs and improvements to buildings and grounds as well as for infrastructure construction projects. It is funded through a one cent sales tax.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1
Buildings	10,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the support services function exceed the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2008.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,247	-	-	1,247
Capital assets being depreciated:				
Buildings	1,346,073	699,664	-	2,045,737
Improvements other than buildings	399,874	91,179	-	491,053
Furniture and Equipment	1,642,250	2,263	34,429	1,610,084
Total capital assets being depreciated	3,388,197	793,106	34,429	4,146,874
Less accumulated depreciation for:				
Buildings	756,767	27,759	-	784,526
Improvements other than buildings	117,788	17,717	-	135,505
Furniture and Equipment	1,483,726	67,763	34,429	1,517,060
Total accumulated depreciation	2,358,281	113,239	34,429	2,437,091
Total capital assets being depreciated, net	1,029,916	679,867	-	1,709,783
Governmental activities, capital assets, net	\$ 1,031,163	679,867	-	1,711,030
Business type activities:				
Furniture and equipment	\$ 4,854	2,235	-	7,089
Less accumulated depreciation	4,854	186	-	5,040
Business type activities capital assets, net	\$ -	2,049	-	2,049
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Operation and maintenance of plant				\$ 45,476
Transportation				50,448
Unallocated				17,315
Total depreciation expenses - governmental activities				\$ 113,239
Business Type activities				
Food service operations				\$ 186

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$107,161, \$101,191, and \$102,307 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$114,358 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Risk Management

Charter Oak-Ute Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	<u>Early Retirement</u>	<u>Revenue Bonds</u>	<u>Total</u>
Balance beginning of year	\$6,996	-	6,996
Additions	-	500,000	500,000
Reductions	<u>4,668</u>	<u>55,000</u>	<u>59,668</u>
Balance end of year	<u>\$2,328</u>	<u>445,000</u>	<u>447,328</u>

Early Retirement

The District offered a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-seven and less than sixty-two years of age and employees must have completed at least twenty years of consecutive service to the District. Employees completed an application for early retirement which must be accompanied by the employee's written resignation. Such resignations are conditional upon acceptance by the Board of the employee for the early retirement program. The District will pay \$75 of the monthly premium for the single or family health and major medical insurance coverage. An employee who was granted early retirement benefits shall also be entitled up to \$120 per month to put towards the coverage of the individual's health insurance provided by the District's insurance carrier; this is based upon \$1.00 for each unused sick leave day up to 120 days. The retiree shall be notified of termination of benefits upon reaching age of sixty-five, death, or failure to make payment.

Early retirement benefits paid during the year ended June 30, 2008, totaled \$4,368. A liability has been recorded representing the District's commitment to fund early retirement costs.

The early retirement policy was discontinued in the fiscal year ending June 30, 2008. The remaining \$2,328 will be paid in the fiscal year ending June 30, 2009.

(8) Interfund Receivable/Payable

The School Nutrition Fund is deemed to owe the General Fund \$5,473 as a result of using General Fund cash to offset a Nutrition cash deficit in a joint checking account.

(9) Revenue Bonds Payable

Details of the District's June 30, 2008 School Infrastructure Sales Tax Revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	4.471%	\$18,666	130,000	148,666
2010	4.471	13,413	60,000	73,413
2011	4.471	10,731	60,000	70,731
2012	4.471	9,389	60,000	69,389
2013	4.471	5,365	60,000	65,365
2014	4.471	<u>2,683</u>	<u>75,000</u>	<u>77,683</u>
Total		<u>\$60,247</u>	<u>445,000</u>	<u>505,247</u>

The District has pledge future local option sales and services tax revenues to repay the \$500,000 bonds issued in 2007. The bonds were issued for the purpose of financing a portion of the costs of an addition to the high school. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2016. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$505,247. For the current year, 64,371 of principal and interest was paid on the bonds and total local option sales and services tax revenues were \$79,963.

(10) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$64,371</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(11) Deficit Fund Balance

The School Nutrition Fund had a deficit balance of \$687 at June 30, 2008.

Required Supplementary Information

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,854,008	76,342	1,930,350	1,949,682	1,949,682	(19,332)
State sources	1,607,944	1,990	1,609,934	1,572,698	1,572,698	37,236
Federal sources	129,054	76,430	205,484	148,000	148,000	57,484
Total revenues	<u>3,591,006</u>	<u>154,762</u>	<u>3,745,768</u>	<u>3,670,380</u>	<u>3,670,380</u>	<u>75,388</u>
Expenditures:						
Instruction	2,225,946	-	2,225,946	2,732,333	2,732,333	506,387
Support services	1,013,771	-	1,013,771	1,009,500	1,009,500	(4,271)
Non-instructional programs	3,397	147,527	150,924	165,260	165,260	14,336
Other expenditures	917,127	-	917,127	1,299,479	1,299,479	382,352
Total expenditures	<u>4,160,241</u>	<u>147,527</u>	<u>4,307,768</u>	<u>5,206,572</u>	<u>5,206,572</u>	<u>898,804</u>
Excess (deficiency) of revenues over (under) expenditures	(569,235)	7,235	(562,000)	(1,536,192)	(1,536,192)	974,192
Other financing sources (uses)	-	-	-	650,000	650,000	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(569,235)	7,235	(562,000)	(886,192)	(886,192)	974,192
Balance beginning of year	1,044,594	(7,922)	1,036,672	886,192	886,192	150,480
Balance end of year	<u>\$ 475,359</u>	<u>(687)</u>	<u>474,672</u>	<u>-</u>	<u>-</u>	<u>1,124,672</u>

See accompanying independent auditor's report.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures exceeded the amount budgeted in the support services function. The District did not exceed its General Fund unspent authorized budget.

Other Supplementary Information

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama Club	\$ 3,309	1,652	403	4,558
Band/Vocal Programs	-	1,014	1,014	-
Band	113	776	602	287
Vending Machine/Pop - Charter Oak	-	7,022	5,870	1,152
Elementary Stand	1,198	3,120	2,412	1,906
Vending Machine/Pop - Ute	-	2,704	2,381	323
Basketball - Boys/Girls	2,803	6,514	6,190	3,127
Track - Boys/Girls	-	1,350	1,150	200
Football	797	5,901	4,986	1,712
Baseball	215	4,711	4,721	205
Volleyball	7	1,913	1,480	440
Softball	227	4,775	4,821	181
Coaches Concession	-	1,679	1,679	-
Annual	1,101	9,567	10,433	235
Newspaper	247	450	325	372
Spanish Club	1,175	3,130	3,900	405
Pep Club	2,693	505	1,980	1,218
FFA National Convention	2,018	1,879	2,602	1,295
FFA Fund	3,622	28,494	26,230	5,886
Student Council Sr High	3,581	6,198	5,704	4,075
Class of 2014	-	1,563	892	671
Class of 2013	569	1,248	729	1,088
Class of 2008	5,525	125	5,650	-
Class of 2009	2,002	14,891	11,360	5,533
Class of 2010	1,990	-	-	1,990
Class of 2012	1,629	1,939	1,098	2,470
Class of 2011	2,523	-	40	2,483
Interest	136	1,865	2,001	-
Total	\$ 37,480	114,985	110,653	41,812

See accompanying independent auditor's report.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 1,500,384	1,450,792	1,389,813	1,303,133	1,174,964
Tuition	141,325	129,725	162,155	134,976	259,892
Other	212,299	219,753	188,467	171,112	154,238
State sources	1,607,944	1,552,952	1,471,765	1,568,214	1,107,579
Federal sources	129,054	225,805	212,189	255,760	291,153
Total	<u>\$ 3,591,006</u>	<u>3,579,027</u>	<u>3,424,389</u>	<u>3,433,195</u>	<u>2,987,826</u>
Expenditures:					
Instruction	\$ 2,225,946	2,229,392	2,228,804	2,284,107	1,991,138
Support services:					
Student	44,659	42,454	59,723	61,109	49,415
Instructional staff	77,754	109,602	49,777	1,334	3,078
Administration	398,239	356,759	306,131	314,724	293,964
Operation and maintenance of plant	324,472	282,827	267,784	263,323	267,961
Transportation	168,647	159,096	220,079	221,796	235,912
Non-instructional programs	3,397	2,038	2,448	1,856	11,001
Other expenditures:					
Long-term debt:					
Principal	55,000	-	-	6,364	2,000
Interest	9,371	-	-	-	-
Facilities acquisition	738,398	104,796	127,918	142,516	50,346
AEA flowthrough	114,358	110,135	106,094	106,466	85,829
Total	<u>\$ 4,160,241</u>	<u>3,397,099</u>	<u>3,368,758</u>	<u>3,403,595</u>	<u>2,990,644</u>

See accompanying independent auditor's report.

BRUCE D. FRINK
Certified Public Accountant

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of the
Charter Oak-Ute Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund of Charter Oak-Ute Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 4, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charter Oak-Ute Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Charter Oak-Ute Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Charter Oak-Ute Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Charter Oak-Ute Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Charter Oak-Ute Community School District's financial statements that is more than inconsequential will not be prevented or detected by Charter Oak-Ute Community School District's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Charter Oak-Ute Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above, 08-I-A, is a material weakness.

Compliance and Other Matters

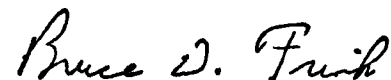
As part of obtaining reasonable assurance about whether Charter Oak-Ute Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted instances of non-compliance that are described in Part II of the accompany Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Charter Oak-Ute Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Charter Oak-Ute Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Charter Oak-Ute Community School District and other parties to whom Charter Oak-Ute Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Charter Oak-Ute Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

February 4, 2009

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

08-I-A SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Part II: Other Findings Related to Required Statutory Reporting:

08-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

08-II-B Certified Budget - Expenditures for the year ended June 30, 2008, exceeded the certified budget amount in the support services function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

08-II-C Questionable Disbursements - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

08-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

08-II-E Business Transactions - No business transactions between the District and District officials were noted.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

(continued) :

- 08-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 08-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 08-II-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted..
- 08-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 08-II-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- 08-II-K Financial Condition - We noted that the District's School Nutrition Fund had a deficit fund balance of \$687 at June 30, 2008.

Recommendation - We recommend that the District continue to take steps as it did in 2008 to return the fund to a positive financial condition.

Response - We will continue to do so.

Conclusion - Response accepted.